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RESEARCH AND
ENGINEERING

THE UNDER SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

24 FEB 1981

MEMORANDUM FOR THE SPECIAL ASSISTANT TO THE SECRETARY AND DEPUTY SECRETARY
OF DEFENSE

SUBJECT: Status Report on PRC Munitions and Commodity Export Cases

As requested, please find attached the following items by tab:

TAB A - PRC munitions cases referred to DoD from 1 January 1980 to
~~20 January~~ 1981 by the Department of State
3 March

TAB B - PRC Commodity Control export cases referred to DoD by the Department
of Commerce from 1 January to 9 October 1980

TAB C - Military equipment the PRC has expressed strong interest in but for
which no munitions license applications have been submitted

see new TAB A
The updated munitions list (Tab A) should ^{not} be considered a draft as the
Department of State is still in the process of verifying the status of each
case and adding new cases to the list which have come in since 21 January 1981.
As of 20 January, a total of 102 munitions cases have been referred to DoD by
State, and we estimate that approximately 20 additional munitions license
applications have been received since President Reagan's inauguration. All
of these applications will be shown in our 1 March update. Due to an extremely
heavy case load, the Office of Technology Trade has been unable to update the
list of dual-use items covered by the Commodity Control List (CCL). Unless
directed otherwise, we will ask that a complete list of PRC requests for items
on the CCL be sent to the CIA by the Office of Export Administration (OEA) of
the Department of Commerce.

It should be realized that without holding detailed discussions with all of
the U.S. industry representatives doing business with the PRC, there is no
realistic way of knowing precisely everything the Chinese may wish to export
from the U.S. Rather than risk outright disapproval by the U.S. Government,
the Chinese typically try to get U.S. companies to seek an advisory opinion
from the U.S. Government as to whether or not a particular request will be
approved prior to making formal application. For your information, of the
102 munitions cases received from State, nine are still open (i.e., pending)
and 93 have been closed. Of the 93 closed, 50 were approved, four were dis-
approved, 31 were withdrawn and eight were Returned Without Action (RWA).
Almost all of the 39 cases either withdrawn or RWA would have been disapproved
by DoD. The export of the SCOUT Space Launch Vehicle was one such RWA case
we would have strongly disapproved of because of its strategic potential as
a Chinese ICBM.

The Chinese have expressed very keen interest in a number of military items which are either expressly prohibited by current U.S. policy or are not in the categories of equipment permitted for export by Munitions Newsletter #81. The major examples include their specific requests for anti-tank weapons, over the horizon (OTH) radar and for U.S. assistance in improving their F-8 interceptor aircraft, including fire control and inertial navigation systems, ECM gear, etc. We have also informally learned of a number of PRC inquiries for munitions items which neither the Chinese nor U.S. industry have officially requested permission to export. Examples of these are noted at Tab C.

By way of additional background, Dr. Frank Kapper, Director, Military Technology Sharing, OUSDRE did, with Dr. Dinneen's approval, meet with Mr. Charles Neuhauser, Assistant National Intelligence Officer (NIO) for East Asia (now Acting NIO) on 1 July 1980. The purpose of his meeting was to both give and receive information which would be helpful to the CIA on the one hand and to the USDRE during his September visit to China. Mr. Neuhauser was provided copies of all MFR's which documented the meetings with Mr. Liu Husqing and Vice Premier Geng Biao. In addition, the CIA was provided the then most recent copies of the list of munitions and dual-use export cases that had been referred to DoD by the Departments of State and Commerce. Mr. Neuhauser was also given copies of all PRC wish lists including the one given to Dr. Dinneen by Mr. Liu on 6 May 1980. Also provided was a copy of the 3 June 1980 "Summary of United States Department of Defense Positions on PRC Requests for Military Support Equipment". This is the a-b-c category list which identifies items we would consider for export (a); items we felt we needed more information on (b) and items we said we would not consider for export (c). Mr. Neuhauser stated he had accompanied Secretary Brown on his January 1980 trip to China and had also been designated as the CIA focal point for all activities relating to China. A copy of Dr. Perry's trip report on his visit to China was also provided to the CIA.

In short, the CIA in the person of Mr. Neuhauser has already been provided extensive background information on what our earlier discussions with the Chinese were and also on those items which the PRC had expressed specific interest in. CIA also has representation on both the Technical Advisory Committees (TACs) and on the Operating Committees (OC). More specifically, Mr. George Schember of CIA is a non-voting member of the Interagency Operating Committee, which is chaired by the Department of Commerce. Mr. Schember serves as the interface for both State and CIA on export license requests for all proscribed countries. As a result of a recent CIA-Commerce agreement, he also has access to any information required by his Agency.

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F. Kapper

Walter B. LaBerge
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